

VILLAGE OF PINCKNEY

REPORT ON AUDIT OF  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

## **VILLAGE OF PINCKNEY**

### **VILLAGE OFFICIALS**

President - Rebecca Foster  
Treasurer - Judith Paul  
Clerk - Amy Salowitz

### **VILLAGE COUNCIL TRUSTEES**

Rebecca Foster  
Linda Lavey  
Robert MacDonald  
Kurt Mohrmann  
Thomas Pais  
Bob Stone  
Barry White

### **VILLAGE ATTORNEY**

Cohl, Stoker, Toskey & McGlinchy

### **VILLAGE AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

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**PFEFFER • HANNIFORD • PALKA**  
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October 20, 2008

To the Village Council  
Village of Pinckney  
220 S. Howell Street  
Pinckney, Michigan 48169

**INDEPENDENT AUDITORS' REPORT**

Honorable Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pinckney as of and for the year ended June 30, 2008, which collectively comprise the Village of Pinckney's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Pinckney's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pinckney as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 8 through 13 and 45 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Pinckney's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining statements and individual fund statements, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Pfeffer, Hanniford & Palka, P.C.*

**PFEFFER, HANNIFORD & PALKA**  
**Certified Public Accountants**

MANAGEMENT  
DISCUSSION  
AND  
ANALYSIS

## Management Discussion and Analysis

### June 30, 2008

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Within this section of the Village of Pinckney's annual financial report, the Village's management is providing a narrative discussion and analysis of the financial activities of the Village for the year ended June 30, 2008. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Village's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

#### Overview of the Financial Statements

Management's Discussion and Analysis introduces the Village's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Village also includes in this report additional information to supplement the basic financial statements.

#### ***Government-wide Financial Statements***

The Village's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Village's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Village-wide statement of position presenting information that includes all the Village's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village as a whole is improving or deteriorating. Evaluation of the overall health of the Village may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Village's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Village's distinct activities or functions on the revenues generated by the Village.

Both government-wide financial statements distinguish governmental activities of the Village that are principally supported by taxes and revenue sharing from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and planning and zoning departments. Business-type activities include water & sewer system operations. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Village programs.

The Village's financial reporting includes all the funds of the Village (primary government) and, additionally, organizations for which the Village is accountable.

#### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village's most significant funds rather than the Village as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.



The Village has three kinds of funds:

*Governmental funds* are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

*Proprietary funds* are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

*Fiduciary funds* are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Village activities.

#### ***Notes to the financial statements***

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

#### ***Other information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

### Financial Analysis of the Village as a Whole

The Village's net assets at the end of the fiscal period were \$11,866,165. This is a \$790,187 increase over the net assets of \$11,075,978 reported for the year ended June 30, 2007.

The following tables provide a summary of the Village's financial activities and changes in net assets:

#### **Summary of Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	6/30/2008	6/30/2007	6/30/2008	6/30/2007	6/30/2008	6/30/2007
Current and other assets	\$ 1,643,405	\$ 1,405,226	\$ 4,066,618	\$ 3,940,779	\$ 5,710,023	\$ 5,346,005
Capital assets	617,802	601,760	6,810,041	6,443,456	7,427,843	7,045,216
Total assets	2,261,207	2,006,986	10,876,659	10,384,235	13,137,866	12,391,221
Other liabilities	175,102	167,242	151,599	93,001	326,701	260,243
Long-term liabilities	305,000	325,000	640,000	730,000	945,000	1,055,000
Total liabilities	480,102	492,242	791,599	823,001	1,271,701	1,315,243
Net assets:						
Invested in capital assets, net of related debt	554,692	586,626	6,080,041	5,668,456	6,634,733	6,255,082
Unrestricted	1,226,413	928,118	4,005,019	3,892,778	5,231,432	4,820,896
Total net assets	\$ 1,781,105	\$ 1,514,744	\$ 10,085,060	\$ 9,561,234	\$ 11,866,165	\$ 11,075,978

### Summary of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	6/30/2008	6/30/2007	6/30/2008	6/30/2007	6/30/2008	6/30/2007
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 155,214	\$ 172,748	\$ 481,117	\$ 505,940	\$ 636,331	\$ 678,688
Operating grants and contribution	677,623	156,603			677,623	156,603
Capital grants and contributions			517,832	14,004	517,832	14,004
General revenues						
State shared revenues	160,651	161,546			160,651	161,546
Property taxes	924,621	888,082			924,621	888,082
Interest income	64,983	70,635	174,644	216,390	239,627	287,025
Other	42,726	85,578	41,993	22,259	84,719	107,837
Total revenues	<u>2,025,818</u>	<u>1,535,192</u>	<u>1,215,586</u>	<u>758,593</u>	<u>3,241,404</u>	<u>2,293,785</u>
<b>EXPENSES</b>						
General government	283,696	267,957			283,696	267,957
Public safety	339,206	340,859			339,206	340,859
Community development	134,788	147,213			134,788	147,213
Public works	129,209	129,418			129,209	129,418
Refuse collection	116,202	122,615			116,202	122,615
Roads	699,746	327,583			699,746	327,583
Cemetery	21,667	17,018			21,667	17,018
Streetlights	22,332	22,536			22,332	22,536
Interest on long-term debt	12,611	13,109			12,611	13,109
Water system			263,925	273,720	263,925	273,720
Sewer system			427,835	420,147	427,835	420,147
Total expenses	<u>1,759,457</u>	<u>1,388,308</u>	<u>691,760</u>	<u>693,867</u>	<u>2,451,217</u>	<u>2,082,175</u>
Change in net assets	266,361	146,884	523,826	64,726	790,187	211,610
Beginning net assets	<u>1,514,744</u>	<u>1,367,860</u>	<u>9,561,234</u>	<u>9,496,508</u>	<u>11,075,978</u>	<u>10,864,368</u>
Ending net assets	<u>\$ 1,781,105</u>	<u>\$ 1,514,744</u>	<u>\$ 10,085,060</u>	<u>\$ 9,561,234</u>	<u>\$ 11,866,165</u>	<u>\$ 11,075,978</u>

This year the Village saw an increase of cash and cash equivalents in the government funds due to an increase of revenues over expenses, while cash has decreased for the Village's proprietary funds. Proprietary fund long-term liabilities also decreased significantly.

The government funds net assets increased by \$266,361 and the proprietary funds net assets increased by \$523,826.

#### Financial Analysis of the Village's Major Funds

The Village's General Fund had revenues over expenditures, before other financing uses, totaling \$39,800 this year and \$125,454 last year. This is an exception to the breakeven scenario that is typical of the Village's operations. June 30, 2008 ending fund balance is \$767,353, or approximately 75% of the General Fund's annual expenditures. This should provide an adequate cushion for any unexpected expenditures.

Two of the Village's major funds are Major Streets and Local Streets. Major Streets had an increase in fund balance of \$12,149. The Major Street Fund received a \$545,562 grant from the State of Michigan for a major road project completed during the year ended June 30, 2008. Local Streets had an increase in fund balance of \$50,963. A \$70,000 transfer was made to the Local Street Fund from the General Highway Fund.

The Village's two major business-type funds, Sewage Disposal System and Water Fund, had a net operating loss of \$164,591. Sewer operating posted a net operating loss of \$103,281 while water operating posted a net operating loss of \$61,310. Net income for sewer and water operating was \$344,540 and \$179,286, respectively. Both sewer and water operating recognized special assessment income in the amount of \$363,811 and \$140,021, respectively. A new rate schedule for both sewer and water was established beginning January 1, 2006 and will be reviewed annually and revised, if so indicated.

#### General Fund Budgetary Highlights

The General Fund budget was adopted prior to the fiscal year in accordance with Public Act 493 of 2000. Total budgeted appropriations exceeded actual expenditures by \$9,125. Expenditures are budgeted by activity, and a few of these activities exceeded budgeted appropriations. The Police Department expenditures exceeded the budgeted amount by \$19,388 due to the purchase of an additional police cruiser. The budget was amended during the year to account for various immaterial differences between budget and actual.

#### Capital Asset and Debt Administration

Bond payments of \$15,000 were made on \$370,000 of bonds issued in 2004 for sidewalks and road improvements

Two (2) police cruisers were acquired under capital leases during the year. One (1) lease requires four (4) annual payments of \$8,732 beginning August 2007, and the other requires four (4) annual payments of \$8,801 beginning July 2008.

The business type funds issued \$380,000 of new bonds in April 2008. In addition the Village called \$425,000 of the previously issued bonds.

#### Economic Conditions and Future Activities

The Village is anticipating a further drop in state revenue-sharing for its general fund to continue into next year due to the state's declining economic environment. Although the effects of this are not known at this time, the Village has taken this into consideration in preparing the budget for next year.

Property taxes will increase slightly in 2008-2009 although the millage rate will remain at 10 mills, the same rate as in the fiscal years 2006-2007 and 2007-2008. Expenditures will also increase due to a number of budgeted items, including building repairs, a 3% wage increase for employees, an increase in the TIFA transfer to the Downtown Development Authority and the renovation of a building for use by the DPW. Rising health insurance costs are a concern, but the Village has again initiated changes to the Blue Cross/Blue Shield coverage, effective August 1, 2008, and anticipates a significant decrease in cost. The Village will continue to monitor this and make changes as deemed necessary.

Beginning in August, 2007, the Village entered into a contract with Putnam Township to provide police services at actual cost, not to exceed \$72,924 for the first year. This should put no financial burden on the Village and may result in future cooperative efforts between the Village and the Township.

#### Contacting the Village's Financial Management

This report is designed to provide a general overview of the Village's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Village of Pinckney at 220 S. Howell Street, Pinckney, Michigan, 48169

BASIC  
FINANCIAL STATEMENTS

GOVERNMENT - WIDE  
FINANCIAL STATEMENTS

VILLAGE OF PINCKNEY  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,486,385	\$ 1,173,671	\$ 2,660,056
Cash and cash equivalents - restricted		1,967,253	1,967,253
Receivables:			
Utilities	52,320		52,320
State of Michigan	26,579		26,579
Intergovernmental		10	10
Accounts	42,106	218,490	260,596
Special assessments		700,334	700,334
Prepaid expenses	36,015	5,660	41,675
Inventory		1,200	1,200
Capital assets - net of depreciation	617,802	6,810,041	7,427,843
<b>Total assets</b>	<b>2,261,207</b>	<b>10,876,659</b>	<b>13,137,866</b>
<b>LIABILITIES</b>			
Accounts payable	29,642	57,173	86,815
Accrued wages/taxes	51,782		51,782
Accrued interest payable	3,122	4,426	7,548
Intergovernmental payable	220		220
Accrued taxes and pension payable	7,226		7,226
Contracts payable:			
Current	23,746		23,746
Non-current	39,364		39,364
Bonds payable:			
Current	20,000	90,000	110,000
Non-current	305,000	640,000	945,000
<b>Total liabilities</b>	<b>480,102</b>	<b>791,599</b>	<b>1,271,701</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	554,692	6,080,041	6,634,733
Restricted	267,756	2,667,587	2,935,343
Unrestricted	958,657	1,337,432	2,296,089
<b>Total net assets</b>	<b>\$ 1,781,105</b>	<b>\$ 10,085,060</b>	<b>\$ 11,866,165</b>

The notes are an integral part of the financial statements.



VILLAGE OF PINCKNEY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Programs Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ (283,696)	\$ 9,632	\$	\$	\$ (274,064)	\$	\$ (274,064)
Public works	(129,209)				(129,209)		(129,209)
Police protection	(400,975)	61,769	1,045		(338,161)		(338,161)
Roads	(699,746)	9,222	131,016	545,562	(13,946)		(13,946)
Refuse	(116,202)	123,160			6,958		6,958
Community development	(134,788)				(134,788)		(134,788)
Cemetery	(21,667)	13,200			(8,467)		(8,467)
Streetlights	(22,332)				(22,332)		(22,332)
Interest on long-term debt	(12,611)				(12,611)		(12,611)
Total governmental activities	(1,821,226)	216,983	132,061	545,562	(926,620)		(926,620)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Sewer system	(427,835)	294,773		363,811		230,749	230,749
Water system	(263,925)	186,344		154,021		76,440	76,440
Total business-type activities	(691,760)	481,117		517,832		307,189	307,189
Total	<u>\$ (2,512,986)</u>	<u>\$ 698,100</u>	<u>\$ 132,061</u>	<u>\$ 1,063,394</u>	<u>(926,620)</u>	<u>307,189</u>	<u>(619,431)</u>
General revenues							
Property taxes					924,621		924,621
State shared revenues					160,651		160,651
Interest income					64,983	174,644	239,627
Rental income					42,380		42,380
Other income					18,278		18,278
Cable franchise fees					11,954	41,993	53,947
Loss on disposal of assets					(29,886)		(29,886)
Total general revenues					<u>1,192,981</u>	<u>216,637</u>	<u>1,409,618</u>
Changes in net assets					266,361	523,826	790,187
Net assets, July 1, 2007					<u>1,514,744</u>	<u>9,561,234</u>	<u>11,075,978</u>
Net assets, June 30, 2008					<u>\$ 1,781,105</u>	<u>\$ 10,085,060</u>	<u>\$ 11,866,165</u>

The notes are an integral part of the financial statements.

FUND  
FINANCIAL STATEMENTS

VILLAGE OF PINCKNEY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General Fund	Major Street Fund	Local Street Fund
<u>ASSETS</u>			
ASSETS			
Cash and cash equivalents	\$ 713,151	\$ 123,142	\$ 123,872
Receivables:			
Utilities	52,320		
Accounts - other	18,591	243	47
State - roads		14,897	6,571
State shared revenues	26,579		
Due from other funds	7,050		
Prepaid expenditures	32,764	1,179	1,665
	<u>\$ 850,455</u>	<u>\$ 139,461</u>	<u>\$ 132,155</u>
Total assets			
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 21,656	\$ 949	\$ 67
Accrued interest payable			
Accrued pension payable	5,497		
Accrued payroll and compensated absences	51,782		
Due to other funds	4,167		
	<u>83,102</u>	<u>949</u>	<u>67</u>
Total liabilities			
FUND BALANCE			
Unreserved	734,589		
Undesignated			
Reserved			
Prepaid items	32,764	1,179	1,665
Street projects		137,333	130,423
	<u>767,353</u>	<u>138,512</u>	<u>132,088</u>
Total fund balance			
	<u>\$ 850,455</u>	<u>\$ 139,461</u>	<u>\$ 132,155</u>
Total liabilities and fund balance			

The notes are an integral part of the financial statements.

Other Non-major Funds	Totals
\$ 526,220	\$ 1,486,385
	52,320
1,757	20,638
	21,468
	26,579
3,947	10,997
407	36,015
<u>\$ 532,331</u>	<u>\$ 1,654,402</u>

\$ 8,699	\$ 31,371
3,122	3,122
	5,497
	51,782
7,050	11,217
<u>18,871</u>	<u>102,989</u>

513,053	1,247,642
407	36,015
	267,756
<u>513,460</u>	<u>1,551,413</u>
<u>\$ 532,331</u>	<u>\$ 1,654,402</u>

VILLAGE OF PINCKNEY  
RECONCILIATION OF STATEMENT OF NET ASSETS  
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET  
JUNE 30, 2008

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 1,551,413
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost	\$ 1,054,603	
Depreciation	<u>(436,801)</u>	
Capital assets net of depreciation		617,802
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Contracts payable	(63,110)	
Bonds payable	<u>(325,000)</u>	
Total		<u>(388,110)</u>
Net assets of governmental activities		<u>\$ 1,781,105</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Major Street Fund	Local Street Fund
REVENUES			
Taxes	\$ 653,766	\$	\$
State shared revenues	160,651		
Intergovernmental - state		636,517	40,061
Licenses and permits	2,430		
Rental income	42,380		
Charges for services	187,276		
Cable fees	11,954		
Interest	36,312	4,455	2,556
Fines and forfeitures	4,855		
Miscellaneous	14,669		
	<hr/>	<hr/>	<hr/>
Total revenues	1,114,293	640,972	42,617
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
General government	270,365		
Public works	109,705		
Refuse	116,202		
Police protection	402,140		
Community development	60,114		
Cemetery			
Road improvements		628,823	61,654
Streetlights	22,332		
Capital outlay:			
Public works	29,661		
Police protection	63,974		
Community development			
Debt service:			
Principal			
Interest and fiscal charges			
	<hr/>	<hr/>	<hr/>
Total expenditures	1,074,493	628,823	61,654
	<hr/>	<hr/>	<hr/>
Excess of revenues over (under) expenditures	39,800	12,149	(19,037)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Lease proceeds	63,974		
Transfers in			70,000
Transfers (out)	(8,425)		
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	55,549		70,000
	<hr/>	<hr/>	<hr/>
Net changes in fund balances	95,349	12,149	50,963
	<hr/>	<hr/>	<hr/>
FUND BALANCE, JULY 1, 2007	672,004	126,363	81,125
	<hr/>	<hr/>	<hr/>
FUND BALANCE, JUNE 30, 2008	\$ 767,353	\$ 138,512	\$ 132,088
	<hr/>	<hr/>	<hr/>

The notes are an integral part of the financial statements.

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Other Non-major Funds	Totals
\$ 270,855	\$ 924,621
	160,651
1,045	677,623
	2,430
	42,380
22,422	209,698
	11,954
21,660	64,983
	4,855
3,609	18,278
<u>319,591</u>	<u>2,117,473</u>
	270,365
	109,705
	116,202
1,291	403,431
67,724	127,838
20,337	20,337
9,269	699,746
	22,332
	29,661
	63,974
6,950	6,950
15,000	15,000
12,611	12,611
<u>133,182</u>	<u>1,898,152</u>
<u>186,409</u>	<u>219,321</u>
	63,974
8,425	78,425
<u>(70,000)</u>	<u>(78,425)</u>
<u>(61,575)</u>	<u>63,974</u>
124,834	283,295
<u>388,626</u>	<u>1,268,118</u>
<u>\$ 513,460</u>	<u>\$ 1,551,413</u>

VILLAGE OF PINCKNEY  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 283,295
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:

Capital outlay	\$ 93,634	
Depreciation expense	<u>(47,706)</u>	
Total		45,928

The Statement of Activities reports a loss on the sale/disposal of capital assets based on the proceeds received and net book value of the assets at the time of sale. The loss on disposal is calculated as follows:

Historical cost of asset disposed	(80,130)	
Accumulated depreciation of assets disposed	<u>50,244</u>	
Total		(29,886)

Debt proceeds are other financing sources in the governmental funds, but are considered to be long-term liabilities in the Statement of Net Assets.

Capital lease proceeds	(63,974)
------------------------	----------

Repayment of bond and contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repayment of:		
Bonds payable	15,000	
Contracts payable	<u>15,998</u>	
Total		<u>30,998</u>

Change in net assets of governmental activities	<u>\$ 266,361</u>
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The notes are an integral part of the financial statements.

**PFEFFER, HANNIFORD & PALKA**

*Certified Public Accountants*



VILLAGE OF PINCKNEY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008

	Sewage Disposal System Fund	Village Water Fund	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 543,137	\$ 630,534	\$ 1,173,671
Accounts receivable	134,031	84,459	218,490
Due from other funds	10		10
Prepaid expenses	3,133	2,527	5,660
Inventory		1,200	1,200
Total current assets	<u>680,311</u>	<u>718,720</u>	<u>1,399,031</u>
<b>RESTRICTED ASSETS</b>			
Special assessment receivable (\$73,870 current portion)	483,356	216,978	700,334
Cash and cash equivalents	<u>659,546</u>	<u>1,307,707</u>	<u>1,967,253</u>
Total restricted assets	<u>1,142,902</u>	<u>1,524,685</u>	<u>2,667,587</u>
<b>CAPITAL ASSETS</b>			
Land	49,682		49,682
Water and sewer systems	<u>6,298,702</u>	<u>4,246,475</u>	<u>10,545,177</u>
	6,348,384	4,246,475	10,594,859
Less accumulated depreciation	<u>(2,226,529)</u>	<u>(1,558,289)</u>	<u>(3,784,818)</u>
Capital assets, net	<u>4,121,855</u>	<u>2,688,186</u>	<u>6,810,041</u>
Total assets	<u>5,945,068</u>	<u>4,931,591</u>	<u>10,876,659</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	47,350	9,823	57,173
Accrued interest payable	3,451	975	4,426
Bonds payable - current portion	<u>58,884</u>	<u>31,116</u>	<u>90,000</u>
Total current liabilities	109,685	41,914	151,599
<b>LONG-TERM LIABILITIES</b>			
Bonds payable - less current portion	<u>500,514</u>	<u>139,486</u>	<u>640,000</u>
Total liabilities	<u>610,199</u>	<u>181,400</u>	<u>791,599</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,562,457	2,517,584	6,080,041
Restricted	1,142,902	1,524,685	2,667,587
Unrestricted	<u>629,510</u>	<u>707,922</u>	<u>1,337,432</u>
Total net assets	<u>\$ 5,334,869</u>	<u>\$ 4,750,191</u>	<u>\$ 10,085,060</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	Sewage Disposal System Fund	Village Water Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 294,773	\$ 186,344	\$ 481,117
OPERATING EXPENSES	398,054	247,654	645,708
Operating (loss)	(103,281)	(61,310)	(164,591)
NON-OPERATING REVENUES AND (EXPENSES)			
Interest income	77,485	97,159	174,644
Interest (expense)	(29,781)	(16,271)	(46,052)
Other	36,306	5,687	41,993
Total non-operating revenues	84,010	86,575	170,585
Income (loss) before capital contributions	(19,271)	25,265	5,994
CAPITAL CONTRIBUTIONS			
Connection fees		14,000	14,000
Special assessments	363,811	140,021	503,832
Total capital contributions	363,811	154,021	517,832
Net income	344,540	179,286	523,826
NET ASSETS JULY 1, 2007	4,990,329	4,570,905	9,561,234
NET ASSETS JUNE 30, 2008	<u>\$ 5,334,869</u>	<u>\$ 4,750,191</u>	<u>\$ 10,085,060</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	Sewage Disposal System Fund	Village Water Fund	Totals
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash received from users	\$ 292,576	\$ 189,621	\$ 482,197
Cash payments to suppliers	(208,176)	(128,114)	(336,290)
Cash paid for interfund transactions	536	(374)	162
Net cash from operating activities	<u>84,936</u>	<u>61,133</u>	<u>146,069</u>
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees received		14,000	14,000
Purchase of fixed assets	(494,543)	(139,832)	(634,375)
Proceeds from sale of fixed assets	14,300		14,300
Special assessments collected	134,572	82,262	216,834
Repayment of bond principal	(230,000)	(195,000)	(425,000)
Interest paid on bonds	(29,781)	(16,271)	(46,052)
Proceeds from bond issue	274,398	105,602	380,000
Net cash (used in) capital and related financing activities	<u>(331,054)</u>	<u>(149,239)</u>	<u>(480,293)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash and cash equivalents	63,322	86,638	149,960
Net (decrease) in cash and cash equivalents	(182,796)	(1,468)	(184,264)
CASH AND CASH EQUIVALENTS AT JULY 1, 2007	<u>1,385,479</u>	<u>1,939,709</u>	<u>3,325,188</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2008	<u><u>\$ 1,202,683</u></u>	<u><u>\$ 1,938,241</u></u>	<u><u>\$ 3,140,924</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	<u>\$ (103,281)</u>	<u>\$ (61,310)</u>	<u>\$ (164,591)</u>
Adjustments to reconcile operating income to net cash from (used in) operating activities			
Miscellaneous income/expenses	24,757	5,687	30,444
Depreciation	154,822	110,218	265,040
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(2,197)	3,277	1,080
Decrease in prepaid expenses	4	332	336
Decrease in due from other funds	553	43	596
Increase in accounts payable	13,069	6,228	19,297
(Decrease) in due to other funds	(17)	(417)	(434)
(Decrease) in accrued interest	(2,774)	(2,925)	(5,699)
Total adjustments	<u>188,217</u>	<u>122,443</u>	<u>310,660</u>
Net cash from operating activities	<u><u>\$ 84,936</u></u>	<u><u>\$ 61,133</u></u>	<u><u>\$ 146,069</u></u>

The notes are an integral part of the financial statements.

	Current Tax Collection Fund	Trust and Agency Fund	Total
<u>ASSETS</u>			
ASSETS			
Cash	\$	\$ 31,671	\$ 31,671
Due from other funds		220	220
Total assests	\$	31,891	31,891
<u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$	\$ 31,881	\$ 31,881
Due to other funds		10	10
Total liabilities	\$	31,891	\$ 31,891

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NOTES  
TO  
FINANCIAL  
STATEMENTS

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Village relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. The more significant accounting policies of the Village are described below.

A. FINANCIAL REPORTING ENTITY

The Village of Pinckney was incorporated in 1895 as a general law Village, under the provision of Public Act 3 of 1895. The Village operates under a council form of government and provides the following services as authorized by its charter; public safety, highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administration services.

In accordance with the GASB Statement 39, all funds, agencies and activities of the Village of Pinckney have been included in the financial statements.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Village as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Village (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally the Village would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The Government-Wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Village are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements. The Village has only included the minimum amount of funds meeting the criteria as a major fund.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for all the activity associated with maintaining the Village's major streets. Revenues from this fund are generally derived by State of Michigan reimbursements and transfers within the Village.

The Local Street Fund accounts for all the activity associated with maintaining the Village's local streets. Revenues from this fund are generally derived by State of Michigan reimbursements and transfers within the Village.

The Village reports the following major proprietary funds:

The Sewage Disposal System Fund accounts for all the activity associated with the operations and maintenance of operating a sewage treatment system.

The Village Water Fund accounts for all the activity associated with the operations and maintenance of operating a water distribution system.

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Village's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements.

Enterprise funds account for operations where the intent of the Village is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for any activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges of the activity, or 3) it is the policy of the Village to establish activity fees or charges to recover the cost of providing services, including capital costs.



VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

On the proprietary funds' financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Fiduciary funds account for assets held by the Village in a trustee or agency capacity on behalf of others and, therefore, are not available to support Village programs. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Village available to support Village programs. The Village currently maintains an agency fund to account for the monies collected and paid on behalf of developer's escrow accounts.

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Village) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Real property is considered capital assets regardless of initial cost, but is not depreciated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	5 to 50 years
Utility plant	5 to 50 years
Machinery and equipment	2 to 40 years
Infrastructure	25 to 75 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

The Village does not depreciate public domain infrastructure. Amounts are recorded as expenditures as resources are used for construction and maintenance. Historical cost and fair market value of infrastructure is not available.

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. BUDGETARY DATA

The Village council follows the procedures as outlined in the Uniform Budgeting Manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The budget committee prepares the annual budgets. The proposed budget is then submitted for discussion and approved by the entire Village council. The budget is approved by activity rather than line item. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the Village council at any of their regular meetings. Budget appropriations made, but not expended by year end, will lapse with the fiscal year end.

For the year ended June 30, 2008, expenditures exceeded appropriations in several functional activities.

F. PROPERTY TAXES

Village taxes are levied each July 1 and are payable without penalty through September 14. Property tax revenues are recognized as revenue in the fiscal year levied to the extent that they are measurable and available. The delinquent real property taxes of the Village of Pinckney are purchased by Livingston County. The county paid the Village the delinquent real taxes in October 2008.

The 2007 taxable valuation of the Village totaled \$ 81,718,500.

The Village levies the following millage:

General Village	8.0000
General Highway	<u>2.0000</u>
Total millage	<u>10.0000</u>

The DDA receives property taxes deducted from member municipality tax collections.

G. MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. CASH EQUIVALENTS

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

I. RISK MANAGEMENT

The Village is exposed to various risks of loss pertaining to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**J. ACCRUED COMPENSATED ABSENCES**

It is the Village's personnel practice to grant personal and vacation time according to years of service. Employees are allowed to accrue sick pay from year to year up to 90 days. Vacation days must be used in the year they are earned and do not carryover year to year. The Village has accrued the following amount in the general fund as of June 30, 2008.

Accrued personal and vacation time	<u>\$ 51,782</u>
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**K. INVENTORIES AND PREPAID ITEMS**

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

**L. CAPITALIZATION OF INTEREST**

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets.

**M. INCOME TAXES**

As a governmental agency, the Village is exempt from both federal income taxes and Michigan Business Tax.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations to the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village maintains an imprest petty cash account in the amount of \$300.

The investment policy adopted by the board is in accordance with Act 196 PA 1997. The Village's deposits and investments are in accordance with statutory authority.

The Village's cash and investments are subject to types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$4,067,980 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS - continued

Concentration of Credit Risk

The Village places no limit on the amount the Village may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may negatively affect the fair value of an investment. The Village's investment policy does not address this risk.

The Governmental Accounting Standards Board Statement No. 40 risk disclosures for the Village's deposits and investments are as follows:

<u>Deposits</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 600,000	\$	\$ 600,000	\$ 600,000
Uninsured and uncollateralized	4,027,009	31,671	4,058,680	4,067,980
Total deposits	<u>\$ 4,627,009</u>	<u>\$ 31,671</u>	<u>\$ 4,658,680</u>	<u>\$ 4,667,980</u>

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables exist at June 30, 2008. These represent short-term borrowings and amounts owed for reimbursements between other funds. The total interfund receivable and payable balance at June 30, 2008 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General Fund	\$ 3,000	General Highway Fund	\$ 3,000
General Fund	7,050	Downtown Development Authority Fund	7,050
Capital Replacement Fund	947	General Fund	947
Trust and Agency Fund	220	General Fund	220
Sewer Disposal System Fund	10	Trust and Agency	10
	<u>\$ 11,227</u>		<u>\$ 11,227</u>

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

**NOTE 4 - OTHER FINANCING SOURCES (USES)**

The transfers of cash between the various funds are budgeted and reported separate from revenues and expenditures as transfers in or (out), unless they represent temporary advances that are to be repaid, in which case they are carried as assets or liabilities of the advancing or borrowing fund. The Village also records all proceeds from the issuance of debt instruments as other financing sources in the fund financial statements. The total transfers in and out balances as of June 30, 2008 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>	<u>Purpose</u>
Local Street Fund	\$ 70,000	General Highway Fund	\$ 70,000	General operating expenses
Local Improvement Fund	8,425	General Fund	8,425	Provide for future capital improvements
	<u>\$ 78,425</u>		<u>\$ 78,425</u>	

**NOTE 5 - PENSION PLAN**

Plan Description - The Village of Pinckney participates in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer, state-wide, defined benefit public employee retirement plan created under Public Act 135 of 1945 and now operates under Public Act 220 of 1996. MERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits on a voluntary basis to the State's local government employees. Under Public Act 220, MERS became an independent public non-profit corporation independent from State government. The effective date of independence was August 15, 1996, at which time MERS ceased to be a part of the State of Michigan, Department of Management and Budget. The Village has no fiduciary responsibility for the plan. All full-time employees of the Village are eligible to participate in the plan immediately upon employment.

As of June 30, 2008, the Village had ten covered employees and twenty-three total employees. Covered and total payrolls for the year then ended were \$433,027 and \$557,068 respectively.

The Village is covered under benefit program B-4. The plan provides for vesting of benefits after ten years of service. Participants may elect normal retirement at age 60, with 10 or more years of service. The plan also provides for early retirement at age 55, with 25 or more years of service.

Employees contribute 4% of all wages per calendar year under program B-4.

The Village currently has two retirant beneficiaries in the plan.

The following information, which is the most current available, was extracted from the Village's actuarial consultants, Gabriel, Roeder, Smith & Company in their report released on June 12, 2008. The amount disclosed as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to (a) help users assess the plan's funding status on a going-concern basis, (b) assess progress being made in accumulating sufficient assets to pay benefits when due, and (c) allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2007. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.5% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement.

**PFEFFER, HANNIFORD & PALKA**

*Certified Public Accountants*

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 - PENSION PLAN - continued

At December 31, 2007, the unfunded pension benefit obligation was \$275,405, determined as follows:

Pension benefit obligation	
Retirees and beneficiaries currently receiving benefits	\$ 407,730
Terminated employees not yet receiving benefits	10,852
Non-vested terminated employees	10,218
Current employees	
Accumulated employee contribution, including allocated investment income	228,195
Employer financed	<u>1,063,676</u>
Total pension benefit obligation	1,720,671
Net assets available for benefits, at cost (at market \$1,462,125)	<u>1,445,266</u>
Unfunded pension benefit obligation	<u><u>\$ 275,405</u></u>

GASB 27 Information (as of December 31, 2007)

Fiscal year beginning July 1, 2008	
Annual required contribution	51,456
Amortization factor used-underfunded liabilities	.055889

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 - PENSION PLAN - continued

During the year ended December 31, 2007, the plan experienced a net increase of \$2,758 in the unfunded pension benefit obligation.

Analysis of Funding Progress

<u>Valuation Date December 31</u>	<u>Net Assets Available for Benefits</u>	<u>Pension Benefit Obligation (PBO)</u>	<u>Percent Funded (1)/(2)</u>	<u>Unfunded (Overfunded) PBO (2)-(1)</u>	<u>Annual Covered Payroll</u>
1982	35,338	26,933	131	(8,405)	55,291
1983	40,201	20,988	192	(19,213)	37,525
1984	52,737	20,233	261	(32,504)	68,923
1985	62,253	26,282	237	(35,971)	67,635
1986	75,724	33,891	223	(41,833)	84,523
1987	92,452	41,748	221	(50,704)	107,091
1988	103,656	50,179	207	(53,477)	101,104
1989	120,226	96,917	124	(23,309)	124,464
1990	138,484	123,901	112	(14,583)	149,722
1991	160,975	161,534	100	559	172,553
1992	186,149	186,180	100	31	176,179
1993	213,674	234,878	91	21,204	186,491
1994	243,112	266,050	91	22,938	198,669
1995	281,565	265,839	106	(15,726)	177,094
1996	348,411	368,926	94	20,515	274,607
1997	406,335	453,796	90	47,461	274,028
1998	478,647	453,158	106	(25,489)	385,030
1999	581,602	598,108	97	16,506	387,232
2000	658,487	783,133	84	124,646	385,905
2001	748,977	1,062,664	70	313,687	390,220
2002	828,295	1,090,530	76	262,235	395,617
2003	959,169	1,220,444	79	261,275	392,617
2004	1,078,170	1,349,612	80	271,442	405,062
2005	1,193,290	1,494,437	80	301,147	387,000
2006	1,313,075	1,585,722	83	272,647	385,899
2007	1,445,266	1,720,671	84	275,405	433,027

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

**NOTE 6 - LONG-TERM OBLIGATIONS**

The Village's long-term obligations as of June 30, 2008, and transactions during the year then ended, are as follows:

**Governmental Activities**

- On September 1, 2004, the Village issued \$370,000 of general obligation bonds for the Downtown Development Authority. The bonds mature in October 2019 and require an annual payment of principal and interest. As of June 30, 2008, the outstanding balance was \$325,000 with an interest rate ranging for 3% to 5%.
- The Village entered into a capital lease with Government Leasing Company to finance the purchase of a police car. The lease calls for annual payment of \$8,518 with an imputed interest rate of 8.27% included with annual payment. The note matures during the year ended June 30, 2009 with a balance of \$7,868 on June 30, 2008.
- The Village entered into a capital lease with Auto Leasing Specialists to finance the purchase of a police car. The lease calls for an annual payment of \$8,732 with an imputed interest rate of 7.3% included with the annual payment. The lease matures during the year ended June 30, 2010 with a balance of \$22,808 on June 30, 2008.
- The Village entered into a capital lease with Auto Leasing Specialists to finance the purchase of a police car. The lease calls for an annual payment of \$8,801 with an imputed interest rate of 5.75% included in the annual payment. The lease matures during the year ended June 30, 2012 with a balance of \$32,434 on June 30, 2008.

**Business-type Activities**

- On October 1, 1997, the Village issued general obligation bonds to finance the cost of the water system at Portage Dells. The bonds mature in April 2017 and require an annual payment of principal and interest. As of June 30, 2008, the outstanding balance was \$65,000 with an interest rate ranging from 5.95% to 6%.
- On April 1, 1999, the Village issued general obligation bonds to finance sewage treatment system. The bonds mature in April 2019 and require an annual payment of principal and interest. As of June 30, 2008, the outstanding balance was \$285,000 with an interest rate ranging from 4.8% to 5%.
- On October 22, 2007 the Village issued \$380,000 of special assessment bonds to finance the M-36 project. The issue is part sewer and part water based upon the total expenses related to the project. The bonds mature in October 2016 and require an annual payment of principal and interest. No principal payments were made during the year. The interest rate ranges from 4% to 4.25% on these bonds. As of June 30, 2008, the outstanding balance, by fund is:

Water	\$ 105,602	27.79%
Sewer	<u>274,398</u>	<u>72.21%</u>
Total	<u>\$ 380,000</u>	<u>100.00%</u>



VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - LONG-TERM OBLIGATIONS - continued

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008	Amount Due in One Year
<u>Governmental Activities</u>					
Bonds payable	\$ 340,000	\$	\$ 15,000	\$ 325,000	\$ 20,000
Governmental Leasing Company	15,134		7,266	7,868	7,868
Auto leasing specialist - 2007		31,540	8,732	22,808	7,077
Auto leasing specialist - 2008		32,434		32,434	8,801
Total governmental fund long-term debt	<u>\$ 355,134</u>	<u>\$ 63,974</u>	<u>\$ 30,998</u>	<u>\$ 388,110</u>	<u>\$ 43,746</u>
<u>Business-type Activities</u>					
1997 Portage Dells Special Assessment Limited Tax bonds interest is charged at 6%	\$ 260,000	\$	\$ 195,000	\$ 65,000	\$ 20,000
1998 Sewer Special Assessment limited tax bonds, interest is charged at 4.8% to 5.0%	515,000		230,000	285,000	30,000
2007 Water and Sewer Special Assessment limited tax bonds, interest charged at 4% to 4.25%		380,000		380,000	40,000
Total business-type activities long-term debt	<u>\$ 775,000</u>	<u>\$ 380,000</u>	<u>\$ 425,000</u>	<u>\$ 730,000</u>	<u>\$ 90,000</u>

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - LONG-TERM OBLIGATIONS - continued

The following is a schedule of principal and interest payments to service the long-term obligations of the Village:

Governmental Activities									
	Bonds Payable 2004 Downtown Development		Capital Lease Police Car		Capital Lease 2007 Crown Vic		Capital Lease 2008 Crown Vic		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2008 - 2009	\$ 20,000	\$ 12,188	\$ 7,868	\$ 650	\$ 7,077	\$ 1,655	\$ 8,801	\$	
2009 - 2010	20,000	11,588			7,590	1,141	7,441		1,360
2010 - 2011	20,000	10,973			8,141	591	7,870		932
2011 - 2012	20,000	10,318					8,322		479
2012 - 2013	25,000	9,528							
2013 - 2018	145,000	32,180							
2018 - 2020	75,000	3,393							
Total	<u>\$ 325,000</u>	<u>\$ 90,168</u>	<u>\$ 7,868</u>	<u>\$ 650</u>	<u>\$ 22,808</u>	<u>\$ 3,387</u>	<u>\$ 32,434</u>	<u>\$</u>	<u>2,771</u>

  

Business-type Activities									
	Bonds Payable 1997 Water		Bonds Payable 1997 Sewer		Bonds Payable - M-36 Project 2007 Water		Bonds Payable - M-36 Project 2007 Sewer		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2008 - 2009	\$ 20,000	\$ 3,900	\$ 30,000	\$ 13,804	\$ 11,116	\$ 4,057	\$ 28,884	\$	10,543
2009 - 2010	20,000	2,700	35,000	12,374	12,505	3,585	32,495		9,315
2010 - 2011	25,000	1,500	35,000	10,704	12,505	3,085	32,495		8,015
2011 - 2012			35,000	9,030	12,505	2,585	32,495		6,715
2012 - 2013			40,000	7,348	11,116	2,112	28,884		5,488
2013 - 2018			110,000	9,622	45,855	3,752	119,145		9,748
2018 - 2020									
Total	<u>\$ 65,000</u>	<u>\$ 8,100</u>	<u>\$ 285,000</u>	<u>\$ 62,882</u>	<u>\$ 105,602</u>	<u>\$ 19,176</u>	<u>\$ 274,398</u>	<u>\$</u>	<u>49,824</u>

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

**NOTE 7 - GOVERNMENTAL CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended June 30, 2008 was as follows:

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008
Land	\$ 35,805	\$	\$	\$ 35,805
Building and improvements	591,582	29,660		621,242
Machinery and equipment	413,712	63,974	(80,130)	397,556
<b>Total capital assets</b>	<b>1,041,099</b>	<b>93,634</b>	<b>(80,130)</b>	<b>1,054,603</b>
Accumulated depreciation	(439,339)	(47,706)	50,244	(436,801)
<b>Governmental activities capital assets, net</b>	<b>\$ 601,760</b>	<b>\$ 45,928</b>	<b>\$ (29,886)</b>	<b>\$ 617,802</b>

Depreciation expense is being recorded in the government-wide statement of activities based upon the fund and activity utilizing the assets. The Village utilizes the straight line method to depreciate capital assets over their estimated useful lives. There is \$63,110 of debt associated with these capital assets.

Depreciation expense was allocated to the following activities:

General government	\$ 13,331
Public works	19,503
Police protection	13,542
Cemetery	1,330
	<u>47,706</u>
	<u>\$ 47,706</u>

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

**NOTE 8 - BUSINESS-TYPE CAPITAL ASSETS**

A summary of changes in business-type capital assets is as follows:

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008
Land	\$ 49,682	\$	\$	\$ 49,682
Property, plant and equipment - sewer	5,349,154	66,281	(62,539)	5,352,896
Property, plant and equipment - water	4,085,863	13,175		4,099,038
Construction in progress	538,324	554,919		1,093,243
	<u>10,023,023</u>	<u>634,375</u>	<u>(62,539)</u>	<u>10,594,859</u>
Total capital assets				
Less accumulated depreciation	(3,579,567)	(265,040)	59,789	(3,784,818)
	<u>(3,579,567)</u>	<u>(265,040)</u>	<u>59,789</u>	<u>(3,784,818)</u>
Business-type activities capital assets, net	<u>\$ 6,443,456</u>	<u>\$ 369,335</u>	<u>\$ (2,750)</u>	<u>\$ 6,810,041</u>

There is \$730,000 of debt associated with these capital assets.

**NOTE 9 - STATEMENT OF CASH FLOWS**

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less. The direct method was utilized to present cash flows from operations. The following is a schedule of beginning and ending cash and cash equivalents:

	6/30/2007	6/30/2008
Current assets		
Cash	\$ 1,001,268	\$ 1,173,671
Restricted assets		
Cash	2,323,920	1,967,253
	<u>2,323,920</u>	<u>1,967,253</u>
Total cash	<u>\$ 3,325,188</u>	<u>\$ 3,140,924</u>

VILLAGE OF PINCKNEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

**NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Village maintains two enterprise funds, which provide water and sewer services. Segment information for the year ended June 30, 2008, was as follows:

	Sewage Disposal System Fund	Water Fund Village
Operating revenues	\$ 294,773	\$ 186,344
Depreciation	154,822	110,218
Operating income (loss)	(103,281)	(61,310)
Non-operating revenues	84,010	86,575
Net income	344,540	179,286
Total assets	5,945,068	4,931,591
Accounts payable	47,350	9,823
Net assets	5,334,869	4,750,191

**NOTE 11 - POST EMPLOYMENT BENEFITS**

The Village approved a resolution to offer all eligible full-time employees medical insurance in retirement. To be eligible one must complete twenty-five (25) years of service and have obtained the age of fifty-five (55). The Village will contribute fifty percent (50%) of the premium until the retiree reaches the age of sixty-five (65) or becomes eligible for Medicare. As of the year ended June 30, 2008 there were no individuals receiving these benefits. There is one individual that may qualify to receive these benefits, but isn't expected to collect until April 2009.

There were no expenditures made on behalf of the individuals eligible for post employment benefits for the fiscal year ending June 30, 2008. The Village is funding this program on a pay-as-you-go basis and has not obtained an actuarial evaluation of future obligations.

The Governmental Accounting Standards Board has released Statement Number 45, Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

**NOTE 12 - FEDERAL GRANT ACTIVITIES**

The Village has been a recipient of several federal grant funds for major streets and local street activities. These funds are subject to federal grant audit requirement.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PINCKNEY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$	\$	\$ 653,766	\$
State shared revenues			160,651	
Refuse collection			123,160	
Tower rental			42,380	
Interest			36,312	
Police contract reimbursement			61,769	
Refunds and reimbursements			9,446	
Cable TV			11,954	
District and local court fines			4,855	
Liquor fees			2,347	
Zoning permits			1,540	
Site plan permits			890	
Miscellaneous			5,223	
Total revenues	1,084,790	1,084,790	1,114,293	29,503
EXPENDITURES	1,096,985	1,083,618	1,074,493	9,125
Excess of revenues over (under) expenditures	(12,195)	1,172	39,800	38,628
OTHER FINANCING SOURCES (USES)				
Lease proceeds			63,974	63,974
Transfers (out)	(6,375)	(9,000)	(8,425)	575
Total other financing sources (uses)	(6,375)	(9,000)	55,549	64,549
Net change in fund balance	(18,570)	(7,828)	95,349	103,177
FUND BALANCE, JULY 1, 2007	672,004	672,004	672,004	
FUND BALANCE, JUNE 30, 2008	\$ 653,434	\$ 664,176	\$ 767,353	\$ 103,177

VILLAGE OF PINCKNEY  
MAJOR STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	Budget Amount			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Michigan Vehicle Highway Fund	\$	\$	\$ 90,955	\$
Grant revenue - state			545,562	
Interest income			4,455	
Total revenues	710,200	92,200	640,972	548,772
EXPENDITURES				
Contracted construction			585,671	
Labor usage costs			16,406	
Equipment usage costs			10,045	
Insurance			882	
Licenses and permits			2,972	
Wages			250	
Payroll taxes			19	
Printing and publishing			2,037	
Legal			660	
Repairs and maintenance			9,721	
Miscellaneous			160	
Total expenditures	748,644	125,304	628,823	(503,519)
Net change in fund balance	(38,444)	(33,104)	12,149	45,253
FUND BALANCE, JULY 1, 2007	126,363	126,363	126,363	
FUND BALANCE, JUNE 30, 2008	\$ 87,919	\$ 93,259	\$ 138,512	\$ 45,253



VILLAGE OF PINCKNEY  
LOCAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	Budget Amount			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Michigan Vehicle Highway Fund	\$	\$	\$ 40,061	\$
Interest			2,556	
Total revenues	34,500	38,900	42,617	3,717
EXPENDITURES				
Contracted construction			8,754	
Labor usage costs			22,842	
Equipment usage costs			15,572	
Insurance			1,003	
Consulting			2,972	
Repairs and maintenance			9,338	
Wages			250	
Miscellaneous			904	
Payroll taxes			19	
Total expenditures	72,019	72,244	61,654	10,590
Excess of revenues over (under) expenditures	(37,519)	(33,344)	(19,037)	14,307
OTHER FINANCING SOURCES				
Transfers in	40,000	70,000	70,000	
Net change in fund balance	2,481	36,656	50,963	14,307
FUND BALANCE, JULY 1, 2007	81,125	81,125	81,125	
FUND BALANCE, JUNE 30, 2008	\$ 83,606	\$ 117,781	\$ 132,088	\$ 14,307

VILLAGE OF PINCKNEY  
SCHEDULES OF PENSION FUNDING PROGRESS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2008

In accordance with the Governmental Accounting Standards Board Statements No. 25 and 27, the following information is a required part of the basic financial statements.

Analysis of Funding Progress

<u>Valuation Date December 31</u>	<u>Net Assets Available for Benefits</u>	<u>Pension Benefit Obligation (PBO)</u>	<u>Percent Funded (1)/(2)</u>	<u>Unfunded (Overfunded) PBO (2)-(1)</u>	<u>Annual Covered Payroll</u>
1982	\$ 35,338	\$ 26,933	131%	\$ (8,405)	\$ 55,291
1983	40,201	20,988	192	(19,213)	37,525
1984	52,737	20,233	261	(32,504)	68,923
1985	62,253	26,282	237	(35,971)	67,635
1986	75,724	33,891	223	(41,833)	84,523
1987	92,452	41,748	221	(50,704)	107,091
1988	103,656	50,179	207	(53,477)	101,104
1989	120,226	96,917	124	(23,309)	124,464
1990	138,484	123,901	112	(14,583)	149,722
1991	160,975	161,534	100	559	172,553
1992	186,149	186,180	100	31	176,179
1993	213,674	234,878	91	21,204	186,491
1994	243,112	266,050	91	22,938	198,669
1995	281,565	265,839	106	(15,726)	177,094
1996	348,411	368,926	94	20,515	274,607
1997	406,335	453,796	90	47,461	274,028
1998	478,647	453,158	106	(25,489)	385,030
1999	581,602	598,108	97	16,506	387,232
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2003	959,169	1,220,444	79	261,275	392,617
2004	1,078,170	1,349,612	80	271,442	405,062
2005	1,193,290	1,494,437	80	301,147	387,000
2006	1,313,075	1,585,722	83	272,647	385,899
2007	1,445,266	1,720,671	84	275,405	433,027

SUPPLEMENTARY INFORMATION

COMBINING  
FINANCIAL  
STATEMENTS

VILLAGE OF PINCKNEY  
COMBINING BALANCE SHEET  
ALL SPECIAL REVENUE FUNDS  
JUNE 30, 2008

	Major Street Fund	Local Street Fund	General Highway Fund	Downtown Development Authority Fund	Cemetery Fund	Police Training Fund	Drug Law Enforcement Fund	Police Reserves Fund	Local Improvement Fund	Totals
<u>ASSETS</u>										
ASSETS										
Cash and cash equivalents	\$ 123,142	\$ 123,872	\$ 184,672	\$ 205,894	\$ 62,734	\$ 2,253	\$ 1,447	\$ 1,862	\$ 67,358	\$ 773,234
Accounts receivable - other	243	47	1,144	454	17				142	2,047
M.V.H.V. receivable	14,897	6,571								21,468
Prepaid expenditures	1,179	1,665			407					3,251
Due from other funds			3,000						947	3,947
Total assets	<u>\$ 139,461</u>	<u>\$ 132,155</u>	<u>\$ 188,816</u>	<u>\$ 206,348</u>	<u>\$ 63,158</u>	<u>\$ 2,253</u>	<u>\$ 1,447</u>	<u>\$ 1,862</u>	<u>\$ 68,447</u>	<u>\$ 803,947</u>
<u>LIABILITIES AND FUND BALANCE</u>										
LIABILITIES										
Accounts payable	\$ 949	\$ 67	\$ 650	\$ 7,842	\$ 17	\$	\$ 190	\$	\$	\$ 9,715
Accrued interest payable				3,122						3,122
Due to other funds				7,050						7,050
Total liabilities	949	67	650	18,014	17		190			19,887
FUND BALANCE	<u>138,512</u>	<u>132,088</u>	<u>188,166</u>	<u>188,334</u>	<u>63,141</u>	<u>2,253</u>	<u>1,257</u>	<u>1,862</u>	<u>68,447</u>	<u>784,060</u>
Total liabilities and fund balance	<u>\$ 139,461</u>	<u>\$ 132,155</u>	<u>\$ 188,816</u>	<u>\$ 206,348</u>	<u>\$ 63,158</u>	<u>\$ 2,253</u>	<u>\$ 1,447</u>	<u>\$ 1,862</u>	<u>\$ 68,447</u>	<u>\$ 803,947</u>

VILLAGE OF PINCKNEY  
COMBINING BALANCE SHEET  
ALL ENTERPRISE FUNDS  
JUNE 30, 2008

	Sewage Disposal System Fund	Village Water Fund	Totals
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 543,137	\$ 630,534	\$ 1,173,671
Accounts receivable - billings	131,917	73,264	205,181
Accounts receivable - other	2,114	11,195	13,309
Prepaid expenses	3,133	2,527	5,660
Inventory		1,200	1,200
Due from other funds	10		10
	<u>680,311</u>	<u>718,720</u>	<u>1,399,031</u>
Total current assets			
RESTRICTED ASSETS			
Cash - bond and interest redemption		9,291	9,291
Cash - special assessments	155,504	24,763	180,267
Cash - capital replacement	504,042	895,627	1,399,669
Cash - construction		378,026	378,026
Special assessment receivable (\$73,870 current portion)	483,356	216,978	700,334
	<u>1,142,902</u>	<u>1,524,685</u>	<u>2,667,587</u>
Total restricted assets			
PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	6,348,384	4,246,475	10,594,859
Less: accumulated depreciation	<u>(2,226,529)</u>	<u>(1,558,289)</u>	<u>(3,784,818)</u>
	<u>4,121,855</u>	<u>2,688,186</u>	<u>6,810,041</u>
Net property, plant and equipment			
Total assets	<u>\$ 5,945,068</u>	<u>\$ 4,931,591</u>	<u>\$ 10,876,659</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable	\$ 47,350	\$ 9,823	\$ 57,173
Accrued interest payable	3,451	975	4,426
Bonds payable		65,000	65,000
Bonds payable from restricted assets	559,398	105,602	665,000
	<u>610,199</u>	<u>181,400</u>	<u>791,599</u>
Total liabilities			
FUND EQUITY			
	<u>5,334,869</u>	<u>4,750,191</u>	<u>10,085,060</u>
Total liabilities and fund equity	<u>\$ 5,945,068</u>	<u>\$ 4,931,591</u>	<u>\$ 10,876,659</u>

VILLAGE OF PINCKNEY  
COMBINING BALANCE SHEET  
ALL AGENCY FUNDS  
JUNE 30, 2008

	<u>Current Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
ASSETS			
Cash and cash equivalents	\$	\$ 31,671	\$ 31,671
Due from other fund		220	220
Total assets	<u>\$</u>	<u>\$ 31,891</u>	<u>\$ 31,891</u>
 <u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$	\$ 31,881	\$ 31,881
Due to other funds		10	10
Total liabilities	<u>\$</u>	<u>\$ 31,891</u>	<u>\$ 31,891</u>

VILLAGE OF PINCKNEY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	Major Street Fund	Local Street Fund	General Highway Fund	Downtown Development Authority Fund	Cemetery Fund	Police Training Fund	Drug Law Enforcement Fund	Police Reserves Fund	Local Improvement Fund	Totals
REVENUES										
Taxes	\$	\$	\$ 163,442	\$ 107,413	\$	\$	\$	\$	\$	\$ 270,855
Intergovernmental - state and local	636,517	40,061				1,045				677,623
Fees			9,222		13,200					22,422
Interest	4,455	2,556	8,870	7,638	2,637	52	38	53	2,372	28,671
Miscellaneous				792	2,050		167	600		3,609
Total revenues	640,972	42,617	181,534	115,843	17,887	1,097	205	653	2,372	1,003,180
EXPENDITURES										
Community development			15,029	87,256						102,285
Cemetery					20,337					20,337
Highways and streets	628,823	61,654	9,269							699,746
Law enforcement						746	190	355		1,291
Total expenditures	628,823	61,654	24,298	87,256	20,337	746	190	355		823,659
Excess of revenues over (under) expenditures	12,149	(19,037)	157,236	28,587	(2,450)	351	15	298	2,372	179,521
OTHER FINANCING SOURCES (USES)										
Transfers in		70,000							8,425	78,425
Transfers out			(70,000)							(70,000)
Total other financing sources (uses)		70,000	(70,000)						8,425	8,425
Net changes in fund balances	12,149	50,963	87,236	28,587	(2,450)	351	15	298	10,797	187,946
FUND BALANCE, JULY 1, 2007	126,363	81,125	100,930	159,747	65,591	1,902	1,242	1,564	57,650	596,114
FUND BALANCE, JUNE 30, 2008	\$ 138,512	\$ 132,088	\$ 188,166	\$ 188,334	\$ 63,141	\$ 2,253	\$ 1,257	\$ 1,862	\$ 68,447	\$ 784,060



VILLAGE OF PINCKNEY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
 ALL ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008

	Sewage Disposal System Fund	Village Water Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 294,773	\$ 186,344	\$ 481,117
OPERATING EXPENSES	<u>398,054</u>	<u>247,654</u>	<u>645,708</u>
Operating income (loss)	<u>(103,281)</u>	<u>(61,310)</u>	<u>(164,591)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	77,485	97,159	174,644
Interest (expense)	(29,781)	(16,271)	(46,052)
Other	<u>36,306</u>	<u>5,687</u>	<u>41,993</u>
Net non-operating revenues	<u>84,010</u>	<u>86,575</u>	<u>170,585</u>
Income (loss) before capital contributions and special items	<u>(19,271)</u>	<u>25,265</u>	<u>5,994</u>
CAPITAL CONTRIBUTIONS			
Connection fees		14,000	14,000
Special assessments	<u>363,811</u>	<u>140,021</u>	<u>503,832</u>
Total capital contributions	<u>363,811</u>	<u>154,021</u>	<u>517,832</u>
Net income	344,540	179,286	523,826
RETAINED EARNINGS, JULY 1, 2007	<u>4,990,329</u>	<u>4,570,905</u>	<u>9,561,234</u>
RETAINED EARNINGS, JUNE 30, 2008	<u><u>\$ 5,334,869</u></u>	<u><u>\$ 4,750,191</u></u>	<u><u>\$ 10,085,060</u></u>

VILLAGE OF PINCKNEY  
COMBINING STATEMENT OF CASH FLOWS  
ALL ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	Sewage Disposal System Fund	Village Water Fund	Totals
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Operating (loss)	\$ (103,281)	\$ (61,310)	\$ (164,591)
Adjustments to reconcile operating (loss) to net cash from operating activities			
Other income/expenses	24,757	5,687	30,444
Depreciation	154,822	110,218	265,040
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(2,197)	3,277	1,080
Decrease in prepaid expenses	4	332	336
Decrease in due from other funds	553	43	596
Increase in accounts payable	13,069	6,228	19,297
(Decrease) in due to other funds	(17)	(417)	(434)
(Decrease) in accrued interest	(2,774)	(2,925)	(5,699)
Total adjustments	188,217	122,443	310,660
Net cash from operating activities	84,936	61,133	146,069
CASH FLOWS FROM (USED IN) CAPITAL RELATED FINANCING ACTIVITIES			
Connection fees received		14,000	14,000
Purchases of fixed assets	(494,543)	(139,832)	(634,375)
Proceeds from sale of fixed assets	14,300		14,300
Special assessments and interest collected	134,572	82,262	216,834
Repayment of bonds (principal)	(230,000)	(195,000)	(425,000)
Interest paid on bonds	(29,781)	(16,271)	(46,052)
Proceeds from bond issue	274,398	105,602	380,000
Net cash (used in) capital and related financing activities	(331,054)	(149,239)	(480,293)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash and cash equivalents	63,322	86,638	149,960
Net (decrease) in cash and cash equivalents	(182,796)	(1,468)	(184,264)
CASH AND CASH EQUIVALENTS AT JULY 1, 2007	1,385,479	1,939,709	3,325,188
CASH AND CASH EQUIVALENTS AT JUNE 30, 2008	\$ 1,202,683	\$ 1,938,241	\$ 3,140,924

INDIVIDUAL  
FUNDS

GENERAL  
FUND

VILLAGE OF PINCKNEY  
GENERAL FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 713,151
Utilities receivable	52,320
State shared revenues receivable	26,579
Accounts receivable - other	18,591
Prepaid expenditures	32,764
Due from other funds	<u>7,050</u>

Total assets		<u>\$ 850,455</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 19,927
Accrued payroll and compensated absences	51,782
Payroll taxes payable	1,729
Accrued pension	5,497
Due to other funds	<u>4,167</u>

Total liabilities	\$ 83,102
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FUND BALANCE

767,353

Total liabilities and fund balance	<u>\$ 850,455</u>
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VILLAGE OF PINCKNEY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$	\$ 653,766	\$
State shared revenues		160,651	
Refuse collection		123,160	
Tower rental		42,380	
Interest		36,312	
Police contract reimbursement		61,769	
Refunds and reimbursements		9,446	
Cable TV		11,954	
District and local court fines		4,855	
Liquor fees		2,347	
Zoning permits		1,540	
Site plan permits		890	
Miscellaneous		5,223	
	<u>1,084,790</u>	<u>1,114,293</u>	<u>29,503</u>
Total revenues			
EXPENDITURES	<u>1,083,618</u>	<u>1,074,493</u>	<u>9,125</u>
Excess of revenues over (under) expenditures	<u>1,172</u>	<u>39,800</u>	<u>38,628</u>
OTHER FINANCING SOURCES (USES)			
Lease proceeds		63,974	
Transfers (out)		(8,425)	
	<u>(9,000)</u>	<u>55,549</u>	<u>64,549</u>
Total other financing sources (uses)			
Net change in fund balance	(7,828)	95,349	103,177
FUND BALANCE, JULY 1, 2007	<u>672,004</u>	<u>672,004</u>	
FUND BALANCE, JUNE 30, 2008	<u>\$ 664,176</u>	<u>\$ 767,353</u>	<u>\$ 103,177</u>

VILLAGE OF PINCKNEY  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
Village council			
Wages	\$	\$ 7,200	\$
Payroll taxes		551	
Insurance		237	
		<u>          </u>	<u>          </u>
Total Village council	<u>8,636</u>	<u>7,988</u>	<u>648</u>
Village president			
Wages		20,000	
Payroll taxes		1,530	
Telephone		288	
Dues and subscriptions		160	
Equipment and tools		65	
Insurance		70	
Conventions and meetings		115	
		<u>          </u>	<u>          </u>
Total Village president	<u>22,587</u>	<u>22,228</u>	<u>359</u>
Village - overhead			
Insurance		11,329	
Printing and publishing		976	
Utilities		4,881	
Supplies		3,159	
Contracting services		10,905	
Computer supplies and software		8,763	
Telephone and internet		2,382	
Tax chargebacks		5,533	
Dues and subscriptions		1,417	
Repair and maintenance		2,049	
Postage		2,368	
Office equipment and copier		1,368	
		<u>          </u>	<u>          </u>
Total Village - overhead	<u>54,738</u>	<u>55,130</u>	<u>(392)</u>

VILLAGE OF PINCKNEY  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Village clerk			
Wages		28,500	
Payroll taxes		2,180	
Seminars and training		80	
Telephone		294	
Mileage reimbursement		133	
Insurance		84	
Equipment and tools		35	
Dues and subscriptions		165	
Research and registration		283	
	<u>31,847</u>	<u>31,754</u>	<u>93</u>
Total Village clerk			
Village secretary			
Wages		15,056	
Payroll taxes		1,158	
Insurance		46	
	<u>16,323</u>	<u>16,260</u>	<u>63</u>
Total Village secretary			
Village treasurer			
Wages		44,542	
Insurance		7,594	
Pension		5,189	
Payroll taxes		3,373	
Miscellaneous		80	
	<u>60,117</u>	<u>60,778</u>	<u>(661)</u>
Total Village treasurer			
Village grounds and building			
Contracted services		2,333	
Repairs and maintenance		5,871	
Insurance		618	
Equipment and tools		90	
Supplies		434	
	<u>9,195</u>	<u>9,346</u>	<u>(151)</u>
Total Village grounds and building			



VILLAGE OF PINCKNEY  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Village police department			
Wages		221,105	
Payroll taxes		17,177	
Pension		24,824	
Insurance		84,270	
Seminars and training		1,030	
Operating lease		3,168	
Printing and publishing		496	
Miscellaneous		365	
Car lease		17,250	
Office supplies		812	
Legal fees		710	
Membership dues and subscriptions		318	
Telephone and internet		2,723	
Radio services		147	
Fuels and lubricants		15,255	
Uniforms, boots, etc		1,629	
Equipment and tools		2,497	
Computer supplies and software		2,450	
Auto repair		3,647	
Contracted services		1,300	
Vehicle purchase		63,974	
Books and forms		729	
Postage		225	
License and permits		13	
	<u>446,726</u>	<u>466,114</u>	<u>(19,388)</u>
Total Village police department			
Village zoning administrator			
Wages		14,000	
Payroll taxes		1,078	
Insurance		157	
Seminar and training		418	
	<u>15,666</u>	<u>15,653</u>	<u>13</u>
Total Village zoning administrator			

VILLAGE OF PINCKNEY  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Village DPW			
Wages		204,589	
Insurance		47,830	
Pension		23,037	
Payroll taxes		15,324	
Fuels and lubricants		8,344	
Equipment and tools		6,014	
Repairs and maintenance		4,960	
Uniforms		1,215	
Telephone and internet		1,849	
Equipment usage		2,144	
Utilities		3,698	
Refuse container		768	
Supplies		1,429	
Dues and subscriptions		180	
Capital outlay		29,661	
Contracted services		1,300	
Reimbursements - equipment hours		(34,009)	
Reimbursements - wages		(178,967)	
	<u>163,202</u>	<u>139,366</u>	<u>23,836</u>
Total Village DPW			
Village refuse service			
Refuse expense		114,787	
Fuels and lubricants		731	
Postage		310	
Supplies		99	
Repairs and maintenance		85	
Seminars and training		80	
Miscellaneous		110	
	<u>116,186</u>	<u>116,202</u>	<u>(16)</u>
Total Village refuse service			

VILLAGE OF PINCKNEY  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Village planning commission			
Wages		3,900	
Legal fees		1,372	
Printing and publishing		1,608	
Contracted services		16,582	
Payroll taxes		298	
Supplies		171	
Insurance		13	
Seminars and training		1,837	
	<u>27,379</u>	<u>25,781</u>	<u>1,598</u>
Total Village planning commission			
Street lights	<u>23,000</u>	<u>22,332</u>	<u>668</u>
Downtown Development Authority	<u>60,114</u>	<u>60,114</u>	
Parks and recreation	<u>6,902</u>	<u>6,563</u>	<u>339</u>
Attorney legal fees	<u>15,000</u>	<u>12,884</u>	<u>2,116</u>
Auditors	<u>6,000</u>	<u>6,000</u>	
Total Village expenditures	<u><u>\$ 1,083,618</u></u>	<u><u>\$ 1,074,493</u></u>	<u><u>\$ 9,125</u></u>

MAJOR  
STREET  
FUND

VILLAGE OF PINCKNEY  
MAJOR STREET FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 123,142
Michigan Vehicle Highway Fund receivable	14,897
Accounts receivable	243
Prepaid expenditures	<u>1,179</u>

Total assets	<u><u>\$ 139,461</u></u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 949
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FUND BALANCE

138,512

Total liabilities and fund balance	<u><u>\$ 139,461</u></u>
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VILLAGE OF PINCKNEY  
MAJOR STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Michigan Vehicle Highway Fund	\$	\$ 90,955	\$
Grant revenue - state		545,562	
Interest income		4,455	
	<u>92,200</u>	<u>640,972</u>	<u>548,772</u>
Total revenues			
EXPENDITURES			
Contracted construction		585,671	
Labor usage costs		16,406	
Repairs and maintenance		9,721	
Equipment usage costs		10,045	
Insurance		882	
Consulting		2,972	
Wages		250	
Payroll taxes		19	
Resurfacing		2,037	
Legal		660	
Miscellaneous		160	
	<u>125,304</u>	<u>628,823</u>	<u>(503,519)</u>
Total expenditures			
Net change in fund balance	(33,104)	12,149	45,253
FUND BALANCE, JULY 1, 2007	<u>126,363</u>	<u>126,363</u>	
FUND BALANCE, JUNE 30, 2008	<u>\$ 93,259</u>	<u>\$ 138,512</u>	<u>\$ 45,253</u>

LOCAL  
STREET  
FUND

VILLAGE OF PINCKNEY  
LOCAL STREET FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 123,872
Michigan Vehicle Highway Fund receivable	6,571
Accounts receivable	47
Prepaid expenditures	<u>1,665</u>
Total assets	<u>\$ 132,155</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 67
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FUND BALANCE

Total liabilities and fund balance	<u>132,088</u>
	<u>\$ 132,155</u>



VILLAGE OF PINCKNEY  
LOCAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Michigan Vehicle Highway Fund	\$	\$ 40,061	\$
Interest		2,556	
Total revenues	<u>38,900</u>	<u>42,617</u>	<u>3,717</u>
EXPENDITURES			
Contracted construction		8,754	
Labor usage costs		22,842	
Equipment usage costs		15,572	
Insurance		1,003	
Consulting		2,972	
Repairs and maintenance		9,338	
Wages		250	
Miscellaneous		904	
Payroll taxes		19	
Total expenditures	<u>72,244</u>	<u>61,654</u>	<u>10,590</u>
Excess of revenues over (under) expenditures	(33,344)	(19,037)	14,307
OTHER FINANCING SOURCES (USES)			
Transfer in	<u>70,000</u>	<u>70,000</u>	
Net change in fund balance	36,656	50,963	14,307
FUND BALANCE, JULY 1, 2007	<u>81,125</u>	<u>81,125</u>	
FUND BALANCE, JUNE 30, 2008	<u>\$ 117,781</u>	<u>\$ 132,088</u>	<u>\$ 14,307</u>

GENERAL HIGHWAY  
FUND

VILLAGE OF PINCKNEY  
GENERAL HIGHWAY FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 184,672
Accounts receivable	1,030
Property taxes receivable	114
Due from other funds	<u>3,000</u>

Total assets	<u><u>\$ 188,816</u></u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 650
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FUND BALANCE

188,166

Total liabilities and fund balance	<u><u>\$ 188,816</u></u>
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VILLAGE OF PINCKNEY  
GENERAL HIGHWAY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$	\$ 163,442	\$
Interest		8,870	
Right of way fees		6,194	
Permits and fees		3,028	
		<u>          </u>	<u>          </u>
Total revenues	<u>169,920</u>	<u>181,534</u>	<u>11,614</u>
EXPENDITURES			
Downtown Development Authority		15,029	
Sidewalks utilities		7,712	
Miscellaneous		1,557	
		<u>          </u>	<u>          </u>
Total expenditures	<u>99,920</u>	<u>24,298</u>	<u>75,622</u>
Excess of revenues over (under) expenditures	70,000	157,236	87,236
OTHER FINANCING SOURCES (USES)			
Transfer (out)	<u>(70,000)</u>	<u>(70,000)</u>	<u>          </u>
Net change in fund balance		87,236	87,236
FUND BALANCE, JULY 1, 2007	<u>100,930</u>	<u>100,930</u>	<u>          </u>
FUND BALANCE, JUNE 30, 2008	<u><u>\$ 100,930</u></u>	<u><u>\$ 188,166</u></u>	<u><u>\$ 87,236</u></u>

DOWNTOWN  
DEVELOPMENT  
AUTHORITY FUND

VILLAGE OF PINCKNEY  
DOWNTOWN DEVELOPMENT AUTHORITY FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 205,894
Accounts receivable	<u>454</u>
Total assets	<u><u>\$ 206,348</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 7,842
Accrued interest payable	3,122
Due to other funds	<u>7,050</u>

Total liabilities	\$ 18,014
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FUND BALANCE

<u>188,334</u>
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Total liabilities and fund balance	<u><u>\$ 206,348</u></u>
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VILLAGE OF PINCKNEY  
DOWNTOWN DEVELOPMENT AUTHORITY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property taxes	\$	\$ 107,413	\$
Interest income		7,638	
Other revenue		792	
	<u>105,000</u>	<u>115,843</u>	<u>10,843</u>
EXPENDITURES			
Subcontractor services		3,703	
Utilities		21,956	
Debt service - principal		15,000	
Debt service - interest		12,611	
Capital outlay		6,950	
Community beautification		1,837	
Grant expense		8,698	
Legal and audit fees		7,465	
Supplies		2,310	
Repairs and maintenance		1,451	
Labor usage		1,886	
Equipment usage		1,682	
Printing and publishing		712	
Miscellaneous		751	
Refuse expense		208	
Insurance		36	
	<u>151,580</u>	<u>87,256</u>	<u>64,324</u>
Total expenditures			
	<u>151,580</u>	<u>87,256</u>	<u>64,324</u>
Net change in fund balance	(46,580)	28,587	75,167
FUND BALANCE, JULY 1, 2007	<u>159,747</u>	<u>159,747</u>	
FUND BALANCE, JUNE 30, 2008	<u>\$ 113,167</u>	<u>\$ 188,334</u>	<u>\$ 75,167</u>

CEMETERY  
FUND



VILLAGE OF PINCKNEY  
CEMETERY FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 62,734
Accounts receivable	17
Prepaid expenditures	<u>407</u>
Total assets	<u>\$ 63,158</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 17
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FUND BALANCE

63,141

Total liabilities and fund balance	<u>\$ 63,158</u>
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VILLAGE OF PINCKNEY  
CEMETERY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Sale of lots	\$	\$ 13,200	\$
Interest		2,637	
Miscellaneous		<u>2,050</u>	
Total revenues	<u>16,000</u>	<u>17,887</u>	<u>1,887</u>
EXPENDITURES			
Labor usage costs		8,685	
Equipment usage costs		4,698	
Legal fees		975	
Supplies		452	
Insurance		569	
Repairs and maintenance		4,131	
Utilities		91	
Equipment and tools		345	
Miscellaneous		<u>391</u>	
Total expenditures	<u>16,850</u>	<u>20,337</u>	<u>(3,487)</u>
Net change in fund balance	(850)	(2,450)	(1,600)
FUND BALANCE, JULY 1, 2007	<u>65,591</u>	<u>65,591</u>	
FUND BALANCE, JUNE 30, 2008	<u>\$ 64,741</u>	<u>\$ 63,141</u>	<u>\$ (1,600)</u>

POLICE  
TRAINING  
FUND

VILLAGE OF PINCKNEY  
POLICE TRAINING FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash and cash equivalents

\$ 2,253

FUND BALANCE

FUND BALANCE

\$ 2,253

VILLAGE OF PINCKNEY  
POLICE TRAINING FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Grant - state	\$	\$ 1,045	\$
Interest		52	
		<u>          </u>	<u>          </u>
Total revenues	940	1,097	157
EXPENDITURES			
Training	1,200	746	454
	<u>          </u>	<u>          </u>	<u>          </u>
Net change in fund balance	(260)	351	611
FUND BALANCE, JULY 1, 2007	1,902	1,902	
	<u>          </u>	<u>          </u>	<u>          </u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 1,642</u>	<u>\$ 2,253</u>	<u>\$ 611</u>

DRUG  
LAW ENFORCEMENT  
FUND

VILLAGE OF PINCKNEY  
DRUG LAW ENFORCEMENT FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash and cash equivalents

\$ 1,447

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable

\$ 190

FUND BALANCE

1,257

Total liabilities and fund balance

\$ 1,447

VILLAGE OF PINCKNEY  
 DRUG LAW ENFORCEMENT FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Miscellaneous	\$	\$ 167	\$
Interest		38	
Total revenues	30	205	175
EXPENDITURES			
Miscellaneous	50	190	(140)
Net change in fund balance	(20)	15	35
FUND BALANCE, JULY 1, 2007	1,242	1,242	
FUND BALANCE, JUNE 30, 2008	<u>\$ 1,222</u>	<u>\$ 1,257</u>	<u>\$ 35</u>



POLICE RESERVES  
FUND

VILLAGE OF PINCKNEY  
POLICE RESERVES FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash and cash equivalents

\$ 1,862

FUND BALANCE

FUND BALANCE

\$ 1,862

VILLAGE OF PINCKNEY  
POLICE RESERVES FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Miscellaneous	\$	\$ 600	\$
Interest		53	
		<u>630</u>	<u>23</u>
Total revenues	630	653	23
EXPENDITURES			
Miscellaneous	<u>700</u>	<u>355</u>	<u>345</u>
Net change in fund balance	(70)	298	368
FUND BALANCE, JULY 1, 2007	<u>1,564</u>	<u>1,564</u>	
FUND BALANCE, JUNE 30, 2008	<u>\$ 1,494</u>	<u>\$ 1,862</u>	<u>\$ 368</u>

LOCAL  
IMPROVEMENT  
FUND

VILLAGE OF PINCKNEY  
LOCAL IMPROVEMENT FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 67,358
Accounts receivable	142
Due from other funds	<u>947</u>
Total assets	<u>\$ 68,447</u>

FUND BALANCE

FUND BALANCE	<u>\$ 68,447</u>
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VILLAGE OF PINCKNEY  
LOCAL IMPROVEMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest income	\$ 1,800	\$ 2,372	\$ 572
EXPENDITURES			
Excess of revenues over (under) expenditures	1,800	2,372	572
OTHER FINANCING SOURCES (USES)			
Transfer in	<u>6,375</u>	<u>8,425</u>	<u>2,050</u>
Net change in fund balance	8,175	10,797	2,622
FUND BALANCE, JULY 1, 2007	<u>57,650</u>	<u>57,650</u>	
FUND BALANCE, JUNE 30, 2008	<u><u>\$ 65,825</u></u>	<u><u>\$ 68,447</u></u>	<u><u>\$ 2,622</u></u>

SEWAGE  
DISPOSAL SYSTEM  
FUND

VILLAGE OF PINCKNEY  
SEWAGE DISPOSAL SYSTEM FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 543,137	
Accounts receivable - billings	131,917	
Accounts receivable - special assessments	483,356	
Accounts receivable - other	2,114	
Prepaid expenses	3,133	
Due from other funds	<u>10</u>	
Total current assets		\$ 1,163,667

RESTRICTED ASSETS

Cash - capital replacement	504,042	
Cash - special assessments	<u>155,504</u>	
Total restricted assets		659,546

PROPERTY, PLANT AND EQUIPMENT

Land	49,682	
Property, plant and equipment	5,352,896	
Construction in progress	945,806	
Less: accumulated depreciation	<u>(2,226,529)</u>	
Net property, plant and equipment		<u>4,121,855</u>
Total assets		<u><u>\$ 5,945,068</u></u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 47,350	
Bonds payable - current portion	58,884	
Accrued interest payable	<u>3,451</u>	
Total current liabilities		\$ 109,685

LONG-TERM LIABILITIES

Payable from restricted assets:		
Special assessment limited tax bonds - less current portion		<u>500,514</u>
Total liabilities		610,199

FUND EQUITY

Retained earnings		<u>5,334,869</u>
Total liabilities and fund equity		<u><u>\$ 5,945,068</u></u>



VILLAGE OF PINCKNEY  
SEWAGE DISPOSAL SYSTEM FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES		
Sewer billings		\$ 294,773
OPERATING EXPENSES		
Depreciation	\$ 154,822	
Labor costs	80,004	
Utilities	52,007	
Lagoon and manhole work	9,068	
Subcontracted service	12,111	
Testing fees	19,131	
Insurance	4,162	
Equipment usage	9,134	
Audit fees	6,500	
License and permits	5,383	
Repairs and maintenance	2,140	
Fuels and lubricants	3,321	
Equipment and tools	3,269	
Telephone and internet	1,822	
Supplies	2,807	
Printing and publishing	618	
Chemicals	8,185	
Computer hardware and software	968	
Miscellaneous	2,127	
Administration fees	1,891	
Legal fees	551	
Dues and subscriptions	450	
Seminars and training	275	
Postage	610	
Uniforms	1,215	
Reimbursement - water softener discharge	15,483	
Total operating expenses		<u>398,054</u>
Operating (loss)		(103,281)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	63,322	
Interest income - special assessment	14,163	
Interest (expense)	(29,781)	
Other revenue	24,757	
Gain on sale of assets	11,549	
Net non-operating revenues		<u>84,010</u>
Income (loss) before capital contributions and special items		(19,271)
CAPITAL CONTRIBUTIONS		
Special assessments		<u>363,811</u>
Net income		344,540
RETAINED EARNINGS, JULY 1, 2007		<u>4,990,329</u>
RETAINED EARNINGS, JUNE 30, 2008		<u><u>\$ 5,334,869</u></u>

VILLAGE OF PINCKNEY  
SEWAGE DISPOSAL SYSTEM FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Operating (loss)		\$ (103,281)
Adjustments to reconcile operating (loss) to net cash from (used in) operating activities		
Other revenue	\$ 24,757	
Depreciation	154,822	
Changes in assets and liabilities		
Decrease in prepaid expenses	4	
(Increase) in accounts receivable	(2,197)	
Decrease in due from other funds	553	
(Decrease) in due to other funds	(17)	
Increase in accounts payable	13,069	
(Decrease) in accrued interest	<u>(2,774)</u>	
Total adjustments		<u>188,217</u>
Net cash from operating activities		84,936

CASH FLOWS FROM (USED IN) CAPITAL  
RELATED FINANCING ACTIVITIES

Additions to sewer system	(428,262)	
Purchase of fixed assets	(66,281)	
Repayment of bonds and note payable principal	(230,000)	
Special assessments collected	120,409	
Special assessments interest collected	14,163	
Proceeds from sale of fixed assets	14,300	
Interest paid on bonds	(29,781)	
Proceeds from bond issue	<u>274,398</u>	
Net cash (used in) capital and related financing activities		(331,054)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on cash and equivalents	<u>63,322</u>	
Net (decrease) in cash and cash equivalents		(182,796)

CASH AND CASH EQUIVALENTS AT JULY 1, 2007	<u>1,385,479</u>	
CASH AND CASH EQUIVALENTS AT JUNE 30, 2008		<u>\$ 1,202,683</u>

VILLAGE  
WATER FUND

VILLAGE OF PINCKNEY  
VILLAGE WATER FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 630,534	
Accounts receivable - billings	73,264	
Accounts receivable - other	11,195	
Prepaid expenses	2,527	
Inventory	1,200	
Special assessment receivable	<u>216,978</u>	
Total current assets		\$ 935,698

RESTRICTED ASSETS

Cash - capital replacement	895,627	
Cash - contributions	378,026	
Cash - bond reserve	9,291	
Cash - special assessment	<u>24,763</u>	
Total restricted assets		1,307,707

PROPERTY, PLANT AND EQUIPMENT

Water system	4,040,037	
Equipment	59,001	
Construction in progress	147,437	
Less: accumulated depreciation	<u>(1,558,289)</u>	
Net property, plant and equipment		<u>2,688,186</u>
Total assets		<u><u>\$ 4,931,591</u></u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 9,823	
Accrued interest payable	975	
Bonds payable - current portion	<u>31,116</u>	
Total current liabilities		\$ 41,914

LONG-TERM LIABILITIES

Bonds payable - less current portion	45,000	
Payable from restricted assets:		
Special assessment limited tax bonds - less current portion	<u>94,486</u>	
Total long-term liabilities		<u>139,486</u>
Total liabilities		181,400

FUND EQUITY

Retained earnings		<u>4,750,191</u>
Total liabilities and fund equity		<u><u>\$ 4,931,591</u></u>

VILLAGE OF PINCKNEY  
VILLAGE WATER FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES		
Water billings		\$ 179,789
Water meter purchases		<u>6,555</u>
Total revenues		186,344
OPERATING EXPENSES		
Depreciation	\$ 110,218	
Labor usage	47,702	
Water meters	31,561	
Utilities	9,629	
Subcontracted services	3,306	
Insurance	3,608	
Plumbing supplies	4,461	
Chemicals	6,236	
Equipment usage	2,834	
Auditors	4,500	
Testing	1,489	
Administrative fees	1,891	
Repairs and maintenance	2,234	
Fuels and lubricants	2,517	
Equipment and tools	1,833	
License and permits	1,049	
Printing and publishing	956	
Legal fees	259	
Computer supplies	923	
Telephone	661	
Supplies	335	
Dues and subscriptions	356	
Security	1,041	
Uniforms	1,215	
Miscellaneous	50	
Seminars and training	275	
Postage	318	
Consulting fees	4,942	
Small equipment	<u>1,255</u>	
Total operating expenses		<u>247,654</u>
Operating (loss)		(61,310)
NON-OPERATING REVENUES (EXPENSES)		
Miscellaneous income	5,687	
Interest income	86,638	
Interest income - SAD	10,521	
Interest (expense)	(15,621)	
Agent fees	<u>(650)</u>	
Net non-operating revenues		<u>86,575</u>
Income before capital contributions		25,265
CAPITAL CONTRIBUTIONS		
Tap-in fees	14,000	
Special assessment	<u>140,021</u>	
Total capital contributions		<u>154,021</u>
Net income		179,286
RETAINED EARNINGS, JULY 1, 2007		<u>4,570,905</u>
RETAINED EARNINGS, JUNE 30, 2008		<u>\$ 4,750,191</u>

**PFEFFER, HANNIFORD & PALKA**

*Certified Public Accountants*

VILLAGE OF PINCKNEY  
VILLAGE WATER FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Operating (loss)		\$ (61,310)
Adjustments to reconcile operating (loss) to net cash from (used in) operating activities		
Miscellaneous	\$ 5,687	
Depreciation	110,218	
Changes in assets and liabilities		
Decrease in accounts receivable	3,277	
Decrease in prepaid expenses	332	
Decrease in due from other funds	43	
Increase in accounts payable	6,228	
(Decrease) in due to other funds	(417)	
(Decrease) in accrued interest	<u>(2,925)</u>	
Total adjustments		<u>122,443</u>
Net cash from operating activities		61,133

CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES

Tap-in fees received	14,000	
Special assessment collected	71,741	
Special assessments interest	10,521	
Purchase of equipment (including construction in progress)	(139,832)	
Bond payment principal	(195,000)	
Bond payment interest/fees	(16,271)	
Proceeds from bond issue	<u>105,602</u>	
Net cash (used in) capital and related financing activities		(149,239)

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

Interest on cash and cash equivalents	<u>86,638</u>	
Net decrease in cash and cash equivalents		(1,468)

CASH AND CASH EQUIVALENTS AT JULY 1, 2007	<u>1,939,709</u>	
CASH AND CASH EQUIVALENTS AT JUNE 30, 2008		<u>\$ 1,938,241</u>

CURRENT  
TAX  
COLLECTION  
FUND

VILLAGE OF PINCKNEY  
CURRENT TAX COLLECTION FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

\$

LIABILITIES

LIABILITIES

\$



TRUST  
AND  
AGENCY  
FUND

VILLAGE OF PINCKNEY  
TRUST AND AGENCY FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 31,671
Due from other funds	<u>220</u>
Total assets	<u>\$ 31,891</u>

LIABILITIES

LIABILITIES

Due to others	\$ 31,881
Due to other funds	<u>10</u>
Total liabilities	<u>\$ 31,891</u>

October 20, 2008

Board of Trustees  
Village of Pinckney  
220 S. Howell St.  
Pinckney, MI 48169

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of the Village of Pinckney for the year ended June 30, 2008, we came across some items which we are bringing to your attention for discussion at the audit presentation. Those items are as follows:

1. During the course of the audit we found instances where deposits were not made timely. In order to safeguard these assets, deposits need to be made in a timely fashion.
2. We noticed that not all invoices were being approved by a responsible individual. The State of Michigan requires that all invoices be substantiated by an original invoice signed by a responsible designated individual.
3. A payment was made for services from a statement, and not an original invoice. In order to avoid double payment for services, the Village should only pay amounts from an approved original invoice.
4. Post Employment Benefits - Health Care and GASB No. 43 and 45

The Village does have a policy which will allow for retirees to receive health care benefits for life if the retiree meets certain criteria. There are no current retirees receiving this benefit.

The Governmental Accounting Standards Board has released Statement No. 43 and 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement gives new guidance to governmental employers in recognizing costs of postemployment benefits such as health care. The statement is effective for the year ending June 30, 2009.

The Village will be required to record as a liability any underfunding of the recommended contribution on the government-wide statements. The contribution amount will be calculated based on a valuation of the obligation to provide the health care benefits. This will require an actuarial valuation to be done at least once every three years.

We suggest the Village start preparing itself for this future requirement. The Village should consider transferring an amount into a newly created special revenue fund.

5. Communication of Significant Deficiencies and Material Weaknesses

In planning and performing our audit of the financial statements of the governmental activities and the business-type activities of the Village of Pinckney as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Pinckney's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Pinckney's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's or detected by the entity's internal control.

We consider the following to be a material weakness of the Village:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principals. It should be noted that a number of these journal entries were related to transactions that were unusual and infrequent in nature. The entries also include those required for the full-accrual presentation of the government-wide statements.
- There is a lack of segregation of duties. The Village should evaluate the cost/benefit of segregating these duties.

We would like to thank the Village's staff and management for the cooperation and assistance provided during the audit. If you should have any questions, comments or concerns please let us know.

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants